



## EFFICIENCY IN INFRASTRUCTURE DEVELOPMENT

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### ABSTRACT

Infrastructure development is an important and vital aspect to accelerate the development process and support growth in Indonesia. Infrastructure also plays an important role as one of the economic drivers in Indonesia. This means that the rate of economic growth in Indonesia cannot be separated from the availability of infrastructure such as transportation and telecommunications. Therefore the construction of these facilities and services is the foundation of infrastructure development in Indonesia to support economic activities. Infrastructure development must be efficient and adapted to the conditions of each region, so that infrastructure development is appropriate to the needs of the region.

**Keywords:** Efficiency, Infrastructure, Development

### INTRODUCTION

The development of a country aims to improve people's welfare. The role of the government as a development mobilizer is very strategic in supporting the improvement of people's welfare and the country's economic growth. Economic growth is one indicator to see the results of development that has been done and is also useful to determine the direction of development in the future. The economic sector is an important thing that the government continues to pay attention to. In general, the country's objectives in the macro economy are to achieve economic stability, high economic growth, Gross Domestic Product and little unemployment. In order to achieve these objectives requires a variety of supporting factors, one of which is important is the existence of infrastructure. With the existence of good infrastructure, it is expected to stimulate the business world to invest in direct investment so that it can enhance growth. Good infrastructure will also provide wider access to economic resources.

The government in carrying out development in all regions of Indonesia issued a number of policies to ease the burden on the business world. Increased development of infrastructure projects throughout Indonesia is aimed at overcoming the wave of unemployment, such as roads, bridges, ports, docks, energy, transportation and housing. In addition to absorbing labor, infrastructure projects will also make the economy move. But infrastructure development in Indonesia is still far from satisfactory, this is because development in Indonesia is still unclear, public transportation is still not optimal to meet people's needs and distribution of goods in Indonesia. Indonesia is very far said to be an advanced country, Indonesia is more

appropriately referred to as a developing country because of the construction of its infrastructure that has not been structured.

## **SIGNIFICATION**

Infrastructure is a series consisting of several physical buildings, each of which is interrelated and interdependent to each other. For example, the road network, where roads are means that one of its functions can be influenced and influence an economic activity, especially the output distribution process. "Economic conditions in developing countries, although low in the supply of domestic capital, have considerable economic potential. This potential can be in the form of abundant natural resources and high population growth "(Mukhlis: 2012). Infrastructure development is carried out based on the needs and level of interest, so that the development priority scale is needed, there is enough to be carried out only once with ongoing care, but there are also those that are dynamic and have the opportunity to develop. "Development is a state of mind from a society, through certain combinations of social, economic and institutional processes, having a way to create a better life" (Todaro: 2011). In each type of infrastructure development cannot be separated from the existing infrastructure or the possibility for future development plans, so the need to make a General Spatial Plan (RUTR), the RUTR is a reference that needs to be understood and consistently can be implemented as specified.

Infrastructure development is certainly based on ideas, intentions and objectives not only to benefit a group but must be able to improve the welfare of the wider community. The benchmark for the success of infrastructure development is the extent to which the utilization and impact on the dynamics of economic development in the community increases. The linkages between functions between existing infrastructure largely determine the level of benefits.

The purpose of building infrastructure is to support the interests of the general public, nation and state, namely to meet domestic needs, including to meet the demands of the needs caused by the possibility of various threats from within and outside the country. Infrastructure is a driving force in economic growth. His role in developing the economy in all regions certainly no doubt. So that the development of infrastructure capacity in a region will go hand in hand with the development of economic output.

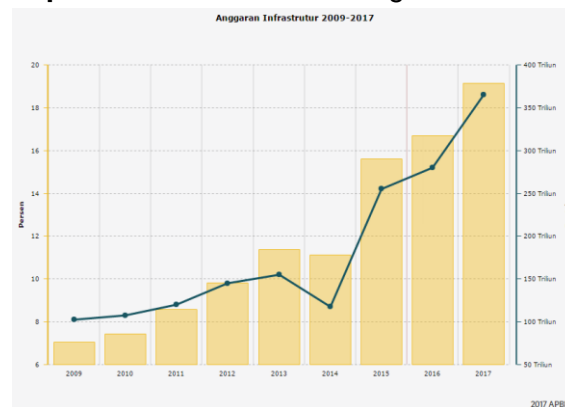
## **DISCUSSION**

In various literatures on economic development, infrastructure is the basic foundation in economic growth. With the existence of infrastructure such as roads, ports, airports and trains, it will be able to increase connectivity and reduce logistics costs so that local products can compete with imported products. Moreover, infrastructure development in the fields of energy, electricity, telecommunications, dams and irrigation, is expected to increase the independence of this nation.

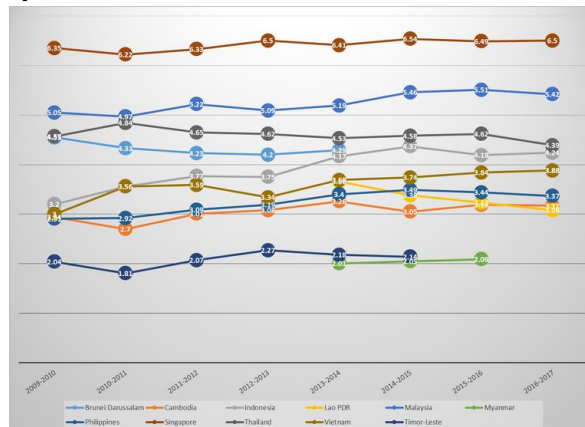
At present there are 245 National Strategic Projects (PSN) being worked on by the government, including 37 priority projects. The entire project is divided into 15 sectors and 2 programs, such as the road, port, railroad, airport, dam, energy, electricity and telecommunications sectors. All of these infrastructures are built simultaneously in order to support economic growth simultaneously in several strategic areas in Indonesia such as Special Economic Zones, Industrial Estates and National Tourism Strategic Areas.

Based on experience in facilitation and assistance in infrastructure development carried out by the Committee for the Acceleration of Provision of Priority Infrastructure (KPPIP), especially those included in the PSN and priority projects, there are 3 major issues that pose challenges in accelerating infrastructure development in Indonesia.

**Graphic 1. Infrastructure Budget 2009 - 2017**

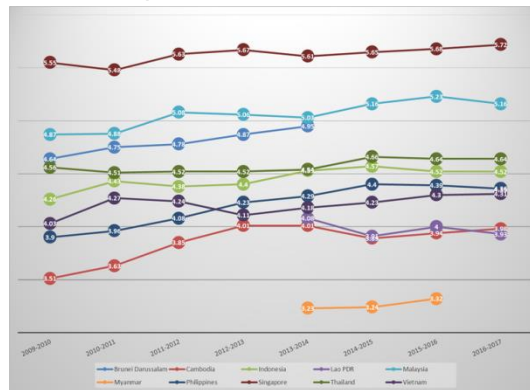


**Graphic 2. Infrastructure Value of Asean countries**



Source: Processed from the World Economic Forum, Global Competitiveness Report. This can also be seen in Indonesia's national competitiveness which is still below Singapore, Malaysia and Thailand.

**Graphic 3.** Competitiveness index of Asean countries



Source: Processed from the World Economic Forum, Global Competitiveness Report. From the indicators compiling the logistics index, Indonesia's infrastructure indicators showed low performance compared to the previous period.

### Problems and Settlement Efforts

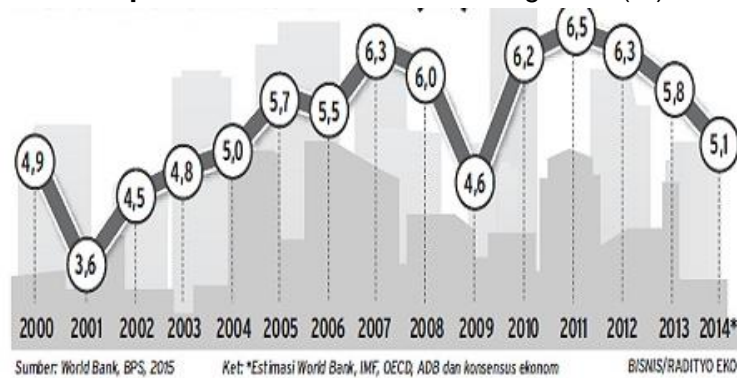
Inadequate infrastructure is an obstacle to growth, especially in developing countries. Infrastructure services are often not sufficient to meet demand. Infrastructure services often have low quality and reliability. Low infrastructure performance reflects the overall challenges facing the government.

Infrastructure development in Indonesia is divided into several parts, namely transportation, telecommunications, sanitation and energy. If the four parts are built correctly and regularly, Indonesia can be free from the problems of infrastructure development and become a developed country.

**Table 1.** Table index of infrastructure change in Indonesia

| No              | Faktor Penilaian                          | Tahun |      |      |      | Indeks Perubahan |             |
|-----------------|-------------------------------------------|-------|------|------|------|------------------|-------------|
|                 |                                           | 2009  | 2010 | 2011 | 2012 | (2010-2011)      | (2011-2012) |
| Kebutuhan Dasar |                                           |       |      |      |      |                  |             |
| A.              | Infrastruktur                             | 84    | 82   | 76   | 78   | +6               | +2          |
| 1               | Kualitas Infrastruktur Keseluruhan        | 96    | 90   | 82   | 92   | +8               | +10         |
| 2               | Kualitas Jalan                            | 94    | 84   | 83   | 90   | +1               | +7          |
| 3               | Kualitas Infrastruktur Kereta Api         | 60    | 56   | 52   | 51   | +4               | -1          |
| 4               | Kualitas Infrastruktur Pelabuhan          | 95    | 96   | 103  | 104  | -7               | +1          |
| 5               | Kualitas Infrastruktur Transportasi Udara | 68    | 69   | 80   | 89   | +11              | +9          |
| 6               | Kualitas Infrastruktur Jumlah Penerbangan | 21    | 21   | 20   | 20   | +1               | =           |
| 7               | Kualitas Jaringan Listrik                 | 96    | 97   | 98   | 93   | -1               | -5          |
| 8               | Kualitas Jaringan Telepon                 | 79    | 82   | 79   | 78   | +3               | -1          |
| 9               | Kualitas Jaringan Mobile Telephone        | -     | 98   | 82   | 90   | +16              | +8          |

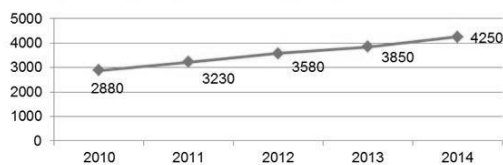
**Graphic 3. Indonesian economic growth (%)**



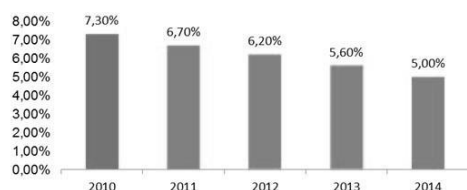
The relationship of infrastructure to economic growth is that infrastructure directly benefits households and is enjoyed by many companies that cause economic growth and ultimately provide welfare.

**Graphic 4. Indonesian Economic Growth 2010 - 2014**

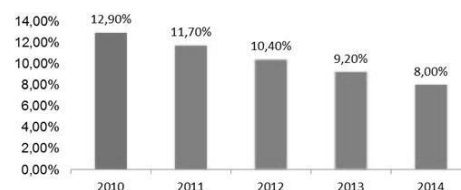
**GDP per Kapita (2010-2014) US\$**



**Proyeksi Tingkat Pengangguran (2010-2014)**



**Proyeksi Tingkat Kemiskinan (2010-2014)**



2014 data proyeksi

This increase shows the strategic role of infrastructure as a driver of the national economy. Fluctuations in development growth tend to coincide with fluctuations in economic growth. Infrastructure supports economic activities and smooth the production process, increasing accessibility and mobility space for the community. The strategic role of the construction sector can also be seen from the backward linkages with its supporting sectors and future linkages with sectors that utilize construction sector products. That is, the growth of the construction sector will be able to attract growth support cars and encourage the growth of other development sectors.

### Land acquisition

The issue of land acquisition is still the biggest obstacle in infrastructure development, contributing 30% of all infrastructure development problems. The problem of land acquisition is found in various infrastructure projects in Indonesia. Land acquisition is a fundamental step in development. If the problem of land acquisition has not been completed, the next stage of development cannot be carried out. Issues that arise in land acquisition include a lack of allocation of funds for land acquisition and the slow process of land acquisition.

Before the authority was given to the Public Asset Management Agency (BLU LMAN), the funding for land acquisition was spread in each Ministry / Institution which caused less effective and efficient running. After the stipulation of BLU LMAN as the only body that financed land acquisition for PSN, the land acquisition process became more well coordinated and faster. In addition, the presence of Law No. 2/2012 on Land Procurement for Development in the Public Interest also helped facilitate the land acquisition process.

### **Project Planning and Preparation**

The second problem that challenges the development of infrastructure in Indonesia is the matter of project planning and preparation. This ranks second, contributing 27% to infrastructure development problems. The problem in planning and preparing this project is related to the problem of coordination between project stakeholders and the quality of project documents.

Infrastructure development involves many parties, starting from the person in charge of the project, related ministries / institutions, local government, village government, to the community directly, which makes it difficult to find common ground in planning projects carefully. Not to mention when talking about sectoral egos where each sector feels it has great authority in infrastructure development, it often causes deadlock.

The existence of an institution that has a coordinative function such as KPPIP is able to be a solution in overcoming the problem of coordination between sectors. The centralization of such institutions has also been applied in certain matters such as land acquisition which is currently centralized through LMAN BLU, licensing through the One Stop Integrated Service (PTSP), and also centralization in terms of investment through the Investment Coordinating Board (BKPM).

The establishment of central institutions to deal with certain matters in the future can increase the acceleration in infrastructure development in Indonesia. The government is currently also preparing a one map policy so that there are no differences in spatial plans in Indonesia.

Another problem in planning and preparing projects is private participation. Since the beginning the infrastructure development plan in Indonesia did not want to impose the state budget. We want private participation. In the infrastructure development planning in the 2015-2019 RPJMN, it was stated that of the infrastructure funding needs of Rp. 4,197 trillion, 55% is expected to come from private sector investment. For this reason, proper project documents are needed and can provide explanations to the private sector.

The quality of project design has been considered to be less convincing for investors to invest in infrastructure development projects. In addition, the project design that is made does not meet international standards. For this reason, KPPIP has the mandate, one of which is to prepare design documents for preparing international standard projects in the form of pre-feasibility study documents or Outline Business Case (OBC) and funding schemes.

In the project preparation document there are various information about the project, such as investment value, investment return, financial benefits to be obtained, including the facilities offered by the government and investment risk projections.

## **Funding**

Third, funding problems contribute 25% of all infrastructure problems. In terms of this funding scheme there are 4 schemes established by the government, namely the state budget, state-owned enterprises, both at the initiative of the corporation and assignments from the government, the private sector, and finally the funding scheme for business entity government cooperation (PPP).

The government has also provided various infrastructure funding instruments that can attract private investors, especially in PPP schemes such as Government guarantees, Availability Payment, and construction support such as Viability Gap Fund (VGF). In addition there are also several capital market instruments developed for infrastructure such as the Collective Investment Contract (KIK) Infrastructure Investment Fund (DINFRA).

The government is also preparing a new Limited Concession Scheme (LCS) scheme, namely project financing through private funding sources for the granting of concessions from a Government / SOE-owned infrastructure asset that has been operating to the private sector concerned to be operated / managed. The goal is that the construction of existing infrastructure can be developed again by private assets, and the money can be used to build other infrastructure.

Another alternative funding scheme is PINA (Non-Budget Infrastructure Financing), namely financing projects financed by sources of funds other than Government-owned budgets, for example, long-term managed funds (insurance, tax amnesty repatriation funds, pension funds, etc.), and private equity investors.

Some projects are successful with PPP schemes, such as the Balikpapan - Samarinda toll road, Manado - Bitung toll road, Panimbang - Serang toll road, Yogyakarta - Bawen toll road and Umbulan Water Supply System (SPAM). While the availability payment scheme has been implemented in the Palapa Ring infrastructure development project.

## **CONCLUSION**

Infrastructure plays an important role in national economic development and growth. Government efforts to catch up with Indonesia's infrastructure, especially compared to regional countries, should be appreciated because this will increase productivity, create jobs, new economic centers, and increase national competitiveness.

This must be understood by every citizen, and the community participation in the success of national development. Moreover, the issue of land acquisition issues reached 44%.

The limited financial capacity of the state forces the government to find a way out through investment and foreign debt to provide funding for infrastructure development. But this also deserves a close watch so that it does not become a burden to the economy, and future generations.

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